



NaCCA

National Check Cashers Association, Inc.
Financial Services for America's Local Communities

12/16/97

December 16, 1997

Ms. Cynthia Johnson
Director
Cash Management Policy and Planning Division
Financial Management Service
US Department of the Treasury
Room 420
401 14th Street S.W.
Washington, D.C. 20227

RE: 31CFR 208

Dear Ms. Johnson:

The National Check Cashers Association, Inc. represents check cashers throughout the United States. These comments on the proposed rules are submitted on their behalf.

Check cashers welcome the opportunity to assist our customers who receive federal payments as they enter the electronic age. We have accepted the challenge and opportunity it presents. We've always been able to adapt to the changing needs of our customers and we believe we are in the best position to assist them as EFT99 becomes effective. Our financial services network is convenient, safe, and efficient. We are located in the neighborhoods where most of the unbanked reside. Check cashers can serve as a vital part of the Department's effort to deliver payments by electronic funds transfer.

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We believe the regulations should provide for the widest range of choices for consumers to receive their federal payments. Many will choose to obtain traditional bank accounts; others may opt for the Electronic Transfer Account proposed by the rule. Check cashers want to be able to provide electronic payment services for those customers who choose to receive their payments at our locations.

Our customers today utilize our services because we provide personal service, longer hours, neighborhood locations. We also provide a number of ancillary services including utility payments, the sale of money orders and wire transfers.

Partnerships

The check cashing industry is pleased that the proposed rule allows check cashers and others to partner with depository institutions to deliver services to individuals receiving federal payments. This opens exciting opportunities to provide a host of choices to consumers and to develop a greater menu of additional financial services. To restrict such partnerships would be to deny consumers this opportunity. Allowing the market to operate freely will provide the greatest opportunity to bring additional services to those individuals who choose to transact their financial without a traditional bank account.

The National Check Cashers Association has undertaken a major commitment to develop an attractive and innovative program to deliver federal payments in accordance with EFT99. We have engaged in an intensive project involving a substantial investment in financial and human resources to seek an economic, technologically user-friendly system to deliver a product for use by customers. This project is the culmination of more than nine months of work in which we were assisted by a nationally prominent financial consultant. We issued a Request for Information and more than a dozen national companies responded to it. These companies recognize that we have ideal locations and the wherewithal to provide high quality service. Our program will create a network linking all check cashers so customers in their neighborhoods or workplaces will also have a choice of locations for receiving federal payments. After many interviews and refinements we chose a respondent to the RFI. We are now in the final stages of

negotiations with one of the nation's most prominent depository institutions. Under the plan, customer funds will be afforded FDIC protection.

This exciting development will not only satisfy the need of our customers to receive federal payments electronically; it will also result in additional services for our customers. It has the potential to bring more financial services to individuals who currently do not have accounts at financial institutions and may not be aware of the array of services available to them. This is an example of how our industry adapts to the changing needs of our customers.

Consumer choice

During the public hearings conducted subsequent to the publication of this proposed rule, some individuals expressed concern that recipients of federal payments would be compelled to use check cashers in order to receive their payments. We are not asking for any exclusive right to serve as conduits for these payments. We envision that under EFT99 consumers will have many options. They can receive direct deposit at a bank of their own choosing or through the Department's Electronic Transfer Accounts; or they could access their payments at a check casher or another money services business. Others, who request waivers, can continue to receive checks.

Permitting the development of innovative delivery systems is good public policy because it maximizes consumer choice.

But, in addition, any restriction on voluntary agreements between banks and other entities would have an adverse impact on a broader group of individuals. This discussion focuses on individuals who do not currently have bank accounts. But a restriction on contractual arrangements between banks and other entities would affect any account holder who receives a direct deposit from the federal government. A federal retiree receiving a pension via direct deposit could be denied the right to obtain currency from his account at an ATM located away from his or her bank, whether in a grocery, department store or check casher. For example, in New York City, check cashers have

entered into an agreement with Chase Manhattan Bank to provide point of banking services. Restrictions regarding federal payments would threaten this and other developing programs because account-holders may be recipients of federal payments.

Fees

Some individuals have also questioned our fees. I'd like to respond to that concern. We have exercised a great deal of restraint in responding to the ill-informed and unfair charges about our fees. The typical national fee for cashing a government check is less than two percent. These are reasonable fees when one considers that we provide personal service, must borrow our funds from banks and pay for armored car service, rent, heat, and insurance. And, unlike a bank, we do not have any of the customers' money on account. The point is that like any business, the cost to the consumer is the result of the cost of delivering the service and a reasonable return no different than any other financial services business. This is the criterion for establishing our fees. So, too, this will be the cost parameter for delivering payments electronically.

No check casher can charge above the market rate and stay in business very long. In fact, in regulated states the prevailing fees are often below the regulated fee cap. We anticipate, with regard to federal payments, there will be significant competition not only from the ETA accounts established by the Treasury Department but also by other money services businesses. In fact, most of the companies responding to our RFI either intend to, or have products serving EFT99 recipients even without our association's participation. These competitive choices are setting the cost of service to the consumer.

Electronic Transfer Account

Treasury has proposed an "electronic transfer account" as a default for those individuals who do not have accounts at financial institutions and do not obtain waivers. Although we are hopeful that many recipients will choose to open accounts at our partner bank, some will likely make no election and will have an ETA account opened for them by the Department. We will have additional comments on the ETA accounts after the

publication of the proposal. But our initial response to the questions raised in the pending proposal is that financial institutions should be free to select their own methods of distribution of payments. This would permit check cashers and others to serve as end points for the delivery of payments as determined by the institutions prevailing in the bidding process.

Waivers

The proposed rule would permit individuals with various hardships to continue to receive paper checks. Our experience shows that there are many individuals who have difficulty with electronic delivery and would be better served by continuing to receive checks. We believe most individuals will choose to open accounts, but the waiver option should be maintained.

Sincerely,



Stephen Wolf

Chairman

Federal Payments Steering Committee